

Service Date: September 17, 1986

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER of the Application)
of MONTANA-DAKOTA UTILITIES for) UTILITY DIVISION
Authority to Establish Increased) DOCKET NO. 86.5.28
Rates for Electric Service.) INTERIM ORDER NO.5219a

FINDINGS OF FACT

1. On May 23, 1986, Montana-Dakota Utilities Company (MDU, Company, Applicant) filed with the Commission a general rate increase application for electric service. The filing was assigned Docket No. 86.5.28.
2. Included in the filing was a request for interim relief in the amount of \$1,940,753.
3. On September 5, 1986, the Commission approved an interim increase of \$942,582 in additional annual revenues.
4. On September 11, 1986, the Supreme Court of the State of Montana ruled that the Commission had properly reduced MDU's rate base in Docket No. 83.9.68 by the amount of unamortized gain on reacquired debt.
5. In its filing for interim relief in this Docket, MDU did not propose to reduce rate base by the amount of unamortized gain on reacquired debt. Since such an adjustment was approved in MDU's last electric rate case, Docket No. 83.9.68, the Interim Order in the current Docket would normally have reflected a similar adjustment. Because the Montana Supreme Court was in the process of determining the proper handling of this issue, however, Interim Order No.

5219 reflected the decision of District Court, which ruled against the Commission's rate base treatment of unamortized gain on reacquired debt in Docket No. 83.9.68.

6. Based on the above series of event, the Commission finds that Interim Order No. 5219 must be amended to reflect the recent decision of the Montana Supreme Court concerning unamortized gain on reacquired debt. Had the Supreme Court decision been made before the issuance of Interim Order No. 5219, that same order would have included a rate base reduction for unamortized gain on reacquired debt in compliance with the Commission's interim rules. The Commission, therefore, finds a reduction of MDU's electric rate base in the amount of the unamortized gain on reacquired debt, which is \$350,982, to be proper in this interim proceeding. This adjustment serves to reduce MDU's interim annual revenue increase by \$58,075 from \$942,582 to \$884,507.

RATE DESIGN

7. Montana-Dakota Utilities identified two rate classes where problems could arise if the rate design, as outlined in Interim Order #5219, is applied. In the Residential Time of Day Rate 16 and Non-Demand Metered General Service Time of Day Rate 23 classes the strict application of the interim rate design would create substantial increases in the base rate charge and substantial decreases in the energy rate charges. This is due to significant decreases in the cost of metering that have occurred since the current time of day rates were approved.

8. Currently there are no customers utilizing either Rate 16

or Rate 23. The Commission feels that creating a wide fluctuation in base rates and energy rates for those customer classes in the interim could provide an inaccurate and confusing price signal to consumers. Therefore, the Commission finds that freezing Rate 16 and Rate 23 at the current tariffed levels will lessen the danger of providing an inaccurate price signal to consumers and provide the time needed to adequately analyze the cost differentials prior to issuing the final order.

CONCLUSIONS OF LAW

1. Applicant, Montana-Dakota Utilities Company, is a corporation providing service within the State of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana operations pursuant to Title 69, Chapter 3, MCA.

3. Section 69-3-304, MCA, provides, in part, "The Commission may, in its discretion, temporarily approve increases pending a hearing or final decision.

4. The rate levels and spread approved herein are a reasonable means of providing interim relief to Montana-Dakota Utilities Company. The rebate provisions of Section 69-3-304, MCA, protect ratepayers in the event that any revenue increases authorized by this order are found to be unjustified in the final order in this Docket.

ORDER

THEREFORE, THE MONTANA PUBLIC SERVICE COMMISSION ORDERS
THAT:

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner
Voting to Dissent

DANNY OBERG, Commissioner

ATTEST:

Ann Purcell
Acting Secretary

(SEAL)